COST REVENUE SQUEEZE

Managing recreation services to increase revenues and decrease expenditures

Ontario

Ministry of Tourism and Recreation

Ontario

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FOREWORD

Responsive and efficient municipal recreation services have never been more important to Ontarians than today.

It is with great pleasure that I present this handbook of strategies for dealing with the cost pressures that municipal recreation services and all levels of government are facing.

The many examples included in it are only a few of the creative ways in which municipal recreation managers have been able to improve their communities without additional cost burdens. I especially want to thank the Recreation, Parks and Culture Committee of the Association of Municipalities of Ontario and the Parks and Recreation Federation of Ontario for the direction and assistance that made this publication possible.

As the Minister of Tourism and Recreation, I know that you will meet the challenge to provide the quality recreation services that our province must have.

Reuben C. Baetz
Minister

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INTRODUCTION

The 80's bring new challenges to the managers of municipal recreation services:

- Shifts of the age groupings and leisure interests in large and small communities.
- Demands for increases in the quality and quantity of recreation services.
- Added cost pressures.

This manual looks at cost management. It reviews successful techniques used to combat financial constraints. It shows how to analyze and constructively respond to the increasing costs facing your community's recreation services. Whether you are a volunteer or a professional, these techniques can help you meet one of the big challenges in the decade ahead - cost pressures.

COST PRESSURES IN THE 80'S

One of the realities at the start of the 1980's is that various changes locally, provincially and nationally have combined to produce cost pressures. One of the first hurdles that recreation service managers face in attempting to meet their goals is now a financial one.

Increasing costs. Costs of materials, supplies, utilities, salaries and wages have increased substantially. Between 1977 and 1980 the Consumer Price Index increased 31%, but municipal expenditures on parks and recreation increased only 28.7%.

Competing attractions. Increased operations by the private sector and other public agencies mean that many users can go elsewhere when dissatisfied. These users may become less inclined to support public services that they do not use. Also home-centred recreation using video and computer technologies has increased.

Higher expectations. Users have come to expect the high quality and easily accessible recreation opportunities that were provided to them in the past. These users react with frustration when their expectations are challenged.

Reduced incomes. For some citizens increased periods of unemployment or retirement will mean more non-optional leisure time. They will rely on "free" or "almost free" recreation.

Demographic changes. Our aging, better-educated, urban-located population comes from a variety of ethnic backgrounds. There are more persons living outside the traditional family unit. This suggests interests in new types of activities. It means possible obsolescence for programs and facilities geared to serving children in a family setting.

Withdrawal by other agencies. Schools and other social service agencies are also affected by cost pressures. They may withdraw or reduce the level of recreation-related services they provide.

Aging physical plant. The specialized facilities needed for swimming, hockey, theatre and other activities are costly to build, maintain and replace. They are especially vulnerable to energy cost increases and are convenient targets for deferred maintenance.

Lack of citizen support. Many leisure activities take place outside formal recreation facilities and programs. Some citizens do not have an understanding of the direct and indirect economic and other benefits that the recreation system provides to their community.

IMPACTS ON RECREATION SERVICES

Substantial revisions to the present delivery system will be required because of these changes. At the same time, we are going to be asked to control costs further. The financial resources available to do this are already under constraint. In order to meet these challenges, recreation administrators are learning to:

1. Show the benefits that their sector produces in order to justify basic public support.

2. Obtain funds from alternative sources in order to meet new financial requirements.

3. Find substitutes for cash in order to reduce the need for budget increases.

There are two broad categories of management techniques used to control cost pressures:

Reducing expenditures

Increasing revenues

This manual examines these two target areas. Many strategies for achieving improvements are available. The purpose of this manual is to make some of these more widely known. It also outlines a 5-step method to use when selecting and implementing a cost-cutting or revenue-increasing strategy.

Adapt appropriate strategies to deal with your situation. Put them to work. Take a positive step towards protecting recreation services from the cost-revenue squeeze.

INCREASING REVENUES

PART 1.

Strategies for increasing revenues aim at up-grading existing revenue sources or creating new ones. Adjust existing revenue generators. Look for new revenue producers.

Fees and charges are sometimes viewed as almost miracle cures for cost pressures. While fees and charges can be effective, there are many other methods for increasing revenues. These are discussed along with fees and charges in this section.

Methods for increasing revenues will affect your users directly. In most cases it is unlikely that you will be seeking the maximum revenue possible regardless of the affect on users. You will need to be able to predict the impact of changes on your clients and then to balance this impact with the amount of additional revenue produced.

1 BEGIN CHARGING FOR PREVIOUSLY FREE SERVICES

Strategy - start charging for halls, gyms, playing fields, lockers, programs and any other services that are free. Open new programs and facilities with fees and charges in place.

Advantages

- Acceptance by users who are increasingly expecting to have to pay for what they get, particularly for new services.
- Improvements in programs because users have a financial commitment to their success. Users demand higher standards from staff.
- Greater respect for facilities and services, though sometimes an "I'm paying for it, who cares" attitude may occur.
- Substantial revenue can be obtained.
- Strong support by non-users.

Disadvantages

- Very strong resistance to charges for traditionally free services from users, particularly organized groups - "why do we have to pay twice?".
- Strong resistance from community groups that carried out fund-raising for a facility that they now have to pay to use.
- New costs for fee collection, supervision and accounting will reduce net revenues.

1.1 The Borough of **Etobicoke** now schedules and charges for the use of its greenhouse for wedding photographs. Considerable revenue is generated; and wedding parties are happy to avoid the pushing and shoving that resulted from the old first-come, first-served no-fee policy.

1.2 The City of **Niagara Falls** uses holding bonds to control sports field usage. All special preparation required as well as damages and any clean-up costs are charged against the bond. The bonds have increased responsible use of facilities and protect the City from excessive costs.

1.3 When the Borough of **Etobicoke** started using permit fees for the use of ball fields they found that suddenly additional time was available. Now that they had to pay for it, some leagues decided they really only needed four nights instead of the five they had been booking.

- Existing and potential users may be lost.
- Quality and quantity of service may have to be increased in order to convince users that charges are justified.
- Research will be required to establish realistic charges: examination of other comparable public and private facilities and analysis of departmental costs.
- Departmental policies will need to be developed so that fees can be defended.
- Does not recognize that the social benefits produced justify full tax support.

2 INCREASE FEES AND CHARGES ACROSS THE BOARD

Strategy - announce that as of a certain date, all existing user fees will be raised by a certain amount or percentage.

Advantages

2.1 The Town of **Simcoe** used a community conference to give influential citizens an opportunity to examine user fees as a method for delivering recreation services more effectively.

2.2 The City of **Sarnia** was forced to make major cuts to their fees policy when it was first introduced several years ago, but now annual increases pass with little comment.

- Easiest to administer because collection mechanism is in place.
- Can be easily justified according to the rise in the Consumer Price Index or actual cost increases for fuel, wages etc.
- Present charges are likely to be low so that increases do not appear to be significant to the user.
- Non-users will be strong supporters. Opposition usually comes from a few highly vocal individuals.
- Can be done on a regular basis.

Disadvantages

- Assumes that the existing fee structure is a fair one.
- Possibility of pricing some facility or program out of the reach of some users leading to reduced revenue over all.
- Does not take into account the ability to pay of various users.
- Low cost/high revenue facilities and programs carry the burden of the high cost/low revenue ones.
- Increases may be seen by users as covering management inefficiency.
- Organized groups may call for increased grants so that there is no net revenue increase.

INCREASING REVENUES

3 SELECTIVELY INCREASE FEES AND CHARGES

Strategy - adjust existing charges so that the greatest amount of additional revenue is produced with the least impact on use. Fees can also be raised to reduce demand at certain times or at certain facilities.

Advantages

- Users can switch to other facilities, programs or times if they wish to avoid the increase.
- Charges can be based on the use and cost of each facility or program.
- Charges can change patterns of use of facilities and programs to suit departmental objectives.
- Both users and non-users are likely to accept the fairness of the changes.

3.1 The City of **Niagara Falls** found service clubs to anonymously sponsor families that social service agencies identified would have difficulty participating in fee-based programs.

3.2 The Town of **Campbellford** charges a higher fee for non-resident users of its swimming pool.

Disadvantages

- Some users can not substitute other times or activities. They may feel cut off from their neighbourhood facility.
- Data on existing use of facilities and programs may not be available.
- Departmental objectives on which to base the selective increases may be unclear making challenges to the policy difficult to defend.

4 INCREASE PRE-BOOKINGS

Strategy - reduce drop-in or casual use of facilities and programs. Expand block rentals to individuals, teams and organized groups.

Advantages

- Guaranteed income less affected by weather, dwindling interest and other events.
- Financial controls simplified; no ticket collection needed.
- Groups and teams may provide their own supervisory force thus reducing staff requirements.

- Greater sociability of organized groups may increase concessions revenue.

Disadvantages

- Individual users may feel they have lost the use of the facilities.
- Organized groups are more effective in lobbying for their own interests, such as no fee increase.
- Decreased flexibility - schedules may become locked-in so far in advance that short-term, spur-of-the-moment needs can not be met.

5 INCREASE NON-PRIME TIME USE

Strategy - use pricing and programming to make off-hour and off-season activities more attractive. Aim to make use of the unused capacity of existing facilities before considering the development of new facilities to meet demands for more prime-time space. New programs can be developed for facilities that presently have seasonal use only.

Advantages

- Better utilization of existing investment in facilities.
- Increased benefit with no cost or a very much lower cost than if new facilities were provided.
- Involvement of non-peak time users such as shift workers.
- Reduced crowding at peak-time.

Disadvantages

- Marketing approach required to identify potential non-peak users and to determine programs and facilities that would attract them.
- Staff costs and other operating costs may be greater than increased revenues, especially if overtime is being paid.
- Where demand charges are part of the hydro bill as in the case of most arenas, start-up should be just after the meter is read, and the end of the season should be just before the meter is read.

5.1 The Borough of **East York** rents the parking lot of an outdoor swimming pool for use as a parking facility for 2 nearby commercial buildings. The lease covers all day Monday to Friday during 9 months of the year and mornings only during the summer. In addition to the rental income the lots are kept clear of snow for weekend winter use.

5.2 The Borough of **East York** rents an arena lounge as a returning office during elections.

5.3 An asphalt outdoor ice rink in the Township of **Bexley** has been lined and post sockets installed so that it can be used for basketball and tennis in the summer months.

6 ATTRACT NEW USES TO EXISTING FACILITIES

Strategy - attract new recreational and occasional non-recreational uses to facilities. For example, conventions and meetings in unused halls and arenas; film and television productions in arenas; inside and outside storage in out-of-season or unused facilities.

Advantages

- More revenues for department and greater spending by visitors in local restaurants, hotels, motels, stores and service stations.
- Demonstrates another form of the economic significance of recreational facilities.
- Increased utilization.

Disadvantages

- Alterations may be required in order to have suitable facilities.
- New or higher-standard equipment may be required.
- Damage may result from unsuitable uses.
- Care must be taken to see that regular user groups are not inconvenienced.

6.1 The City of **Stratford** rents a hall to the Shakespearean Festival for a performing space during the summer months. During the other six months it is used for badminton and volleyball.

6.2 The Town of **Markham** rents arenas in the off-season for film and TV productions. Rental packages include catering, bar and press rooms.

6.3 A community centre in the Town of **Lindsay** was used to host an international cartographic conference along with the local community college.

6.4 Victoria County's Spring Festival of the Arts uses several arenas for arts and crafts exhibitions. A rental fee is charged to each exhibitor.

7 SEEK COMMERCIAL SPONSORSHIPS

Strategy - special events, facilities or equipment may attract sponsorships from local or national firms. Commercial support for teams, leagues and trophies is common. Advertising space on equipment and at facilities can be sold.

Advantages

- Risks on special events are shared.
- Involvement of business can lead to long term benefits such as access to goods and services.
- Special equipment and management services may be provided.

Disadvantages

- Activity or event may become identified only with the sponsor.
- Commercial pressures may direct the leisure experience or reduce community use of facilities.

7.1 The Town of **Markham** solicits paid advertising for its seasonal brochure by showing advertisers that it is distributed to every household and is retained for use over each season.

7.2 A decorator, a roofer and the musicians' union jointly sponsored 16 Sunday night concerts-in-the-park in the town of **Markham**. The roofer reported that additional business more than paid his costs.

8 ADVERTISE TO INCREASE PARTICIPATION

Strategy - step up public relations activities to increase the community's awareness of existing programs and facilities. Re-examine use of door-to-door brochures, school announcements, local press, radio and cable television.

Advantages

- Programs that meet new needs and interests.
- Increased benefit from existing facilities and programs.
- Increased support and understanding of recreation services.

Disadvantages

- Cost and time involved in doing market research and preparing an effective advertising program.
- Communications effort will be wasted if programs are unsatisfactory and facilities inadequate.

8.1 The Municipalities of **Brantford, Kitchener, Oakville, Brampton, Markham, North York,** and **Etobicoke** have staff members who direct their marketing and advertising efforts.

INCREASING REVENUES

9 INCREASE OPPORTUNITIES FOR USER SPENDING

Strategy - open sales outlets for equipment, supplies, food and beverages. Install amusement and vending machines.

Advantages

- Provides opportunities for impulse buying on-site.
- Captures sales opportunities that are generated by department programs and facilities.
- Expands services provided to users.
- Provides additional opportunities for socializing.

Disadvantages

- May require new management skills if the department has no previous experience in concessions.
- Negative reactions from existing private sector suppliers.
- Negative reactions from some users and the public particularly where amusement machines are involved.
- Change-making, refunds and maintenance required for machines.
- Vandalism and theft possibilities are increased.
- Zoning restrictions.

9.1 The Kitchener-Waterloo Family Y has a privately run pro-shop on its premises.

10 START FUND RAISING

Strategy - approach other levels of government, charitable foundations, the private sector, community groups and individuals for cash and contributions of materials, services or land.

Advantages

- Substantial benefits are possible that may not be possible in any other way, such as land acquisition.
- Broadens financial base for recreation services.
- Funding for new and experimental programs.

Disadvantages

- Contributions may be seen as replacing need for traditional public support.
- May conflict with existing policies and practices.
- Requires staff time to build fund raising skills and obtain up-to-date information on funding programs.
- Must be able to identify recreation needs.

11 SOLIDIFY TAX-BASED FUNDING

Strategy - build case for additional budget allotments from municipal revenues. Point out the irreversible consequences of funding shortfalls. Identify the positive community benefits of recreation to municipal decision-makers.

Advantages

- Works within the existing financial system.
- Indicates community recognition of the value of recreation services.
- Builds on existing support for services.

Disadvantages

- Requires competition with other municipal services.
- Limited growth likely short of major shifts in spending policies.
- Increased resistance by tax payers to supporting tax increases.
- Evidence of the social and economic benefits of recreation services will be needed.
- Property tax revenues place a heavier burden on low income property owners who may use recreation services infrequently.

DECREASING EXPENDITURES

PART 2.

Strategies for reducing expenditures involve new ways of doing old things. To increase the efficiency of your operation, examine day-to-day service delivery practices. Review existing plans, policies, procedures, programs and facilities. Determine how service can be maintained or improved so that overall costs are less. This process can be exciting because results are immediate. It can be frustrating because it challenges established relationships and habits.

Start reducing expenditures by asking three basic questions:

1. Should we be involved in this activity? If yes, then:
2. How much, or at what level of service should it be done, and
3. How can we provide this level of service most efficiently?

Recreation services are of tremendous value to your community, but every program and facility does not contribute equally to this benefit. A community cannot survive without recreation services, but individual programs and facilities can be changed to improve benefits and reduce costs.

12 UPGRADE ENERGY MANAGEMENT

Strategy - Carry out energy audits for department buildings. Improve building and vehicle operating procedures. Tune-up vehicles and buildings. Make minor and major capital investments to increase the efficiency of mechanical, electrical and structural systems in all facilities.

Advantages

- Substantial savings can be had at no cost and with no effects on existing services and users.
- Where capital investments in energy conservation are required, some will have very short paybacks.
- Better energy management means protection from predicted cost increases.
- Increased life of vehicles and the mechanical and electrical systems in buildings.
- Effective energy programs that involve users can build recognition and support for recreation services.

12.1 The Borough of **Scarborough** uses a computerized system to monitor energy consumption in Borough buildings. They are able to pinpoint unexpected increases and take immediate action to identify the cause and make corrections.

12.2 The Town of **Markham** is not building any new arenas that could be used for summer ice in order to permanently avoid the high energy costs of running such a facility.

12.3 The Township of **Glamorgan** incorporated a passive solar heating system in their new community centre.

12.4 The Ontario Municipal Energy Audit Program has provided technical personnel to more than 40 municipalities including the Town of **Kapuskasing**, City of **Timmins**, Counties of **Grey**, **Bruce** and **Hastings**. The auditors have helped carry out energy audits of recreation dept. buildings.

Disadvantages

- Development of an energy management program takes expertise.
- Some improvements require capital and/or training expenditures.
- Negative user reaction to some changes must be avoided by education.
- Some changes have hidden costs, for example, the parks department ended up trucking away ice shavings dumped outside one arena.

13 LOOK FOR OTHER TECHNICAL ECONOMIES

Strategy - make alterations to buildings and vehicles to reduce operating costs. Improve wall, floor and ceiling surface finishes for longer life and lower maintenance.

Use more efficient maintenance equipment. Automate control systems for pool water treatment, irrigation, lighting, mechanical systems. Design buildings that enable one-point supervision and control. Review and upgrade preventative maintenance programs.

Advantages

- Reduced staff costs.
- Long-term savings.
- Higher quality facilities.

13.1 The Borough of **Etobicoke** has entered into a long term contract for tele-monitoring of all electrical and mechanical equipment in its ice arenas. Included is a roving repair and maintenance team that supplies regular maintenance and responds when the monitoring system indicates malfunctions.

Disadvantages

- Cost of changing existing facilities and equipment.
- Redefinition of staff responsibilities.
- Entry level positions require higher skill levels.
- Too much emphasis on cost cutting may lead to postponement or neglect of vital routine maintenance.

DECREASING EXPENDITURES

14 INCREASE STAFF PRODUCTIVITY

Strategy - make changes so that more useful work can be accomplished without more staff or longer hours. Make improvements in on and off-the-job training programs on time management or needed technical skills.

Schedule to reduce travel and waiting time. Look for increased efficiency in equipment and supplies. Provide incentives for performance. Building and grounds can be designed so that maintenance time and effort are reduced.

Collect information on labour costs so that problem areas can be pinpointed. Redeployment of staff to meet changing needs.

Advantages

- No additional staff costs.
- Improved productivity is a strong argument against staff or budget cuts.
- Better utilization of human resources.
- Better communication between frontline and management.

Disadvantages

- Time, effort and skills needed to initiate productivity improvement program.
- Redefinition of job functions requires support by all parties involved.
- Some changes will require a long time before results appear.

14.1 The City of **Thunder Bay** has a computerized maintenance management system that has helped to cut costs in several areas. For example, it showed that eight additional staff could be hired to fill in for absent employees for less than the cost of overtime payments normally used to cover absences.

14.2 The Town of **Dryden** compiles and distributes an operating cost comparison for many arenas in Northwest Ontario that calculates such measures as wages per user day for each arena.

15

CONSIDER STAFFING ECONOMIES

Strategy - while the "leave the key under the doormat" era is not likely to return, wages are the largest single expenditure in most departmental operations. Possible options are: natural attrition and no new hiring; increase responsibilities of existing staff; recover overtime costs from sponsors of special events; use of part-time and contract staff.

Advantages

- Substantial savings potential.
- Better utilization of human resources.

Disadvantages

- Staff reductions may jeopardize safety of users, quality of programs or lead to deterioration of the physical plant.
- Organized resistance by staff and users.
- May not be permitted by collective agreements.
- Increased stress on remaining staff.

15.1 The Town of **Markham** has reduced the former complement of three full-time maintenance men in each arena to one full-time person year-round, one full-time person who spends six months in the arena and six months in parks, and one 115-day person.

15.2 The town of **Rayside-Balfour** has integrated its parks and arenas staff.

15.3 Fifteen positions have been eliminated over the past several years by the City of **Sarnia** Parks and Recreation Department.

16 MANAGEMENT BY SPECIAL INTEREST GROUPS

Strategy - after careful investigation and negotiation to confirm management abilities and community-orientation of a club or organization, facilities may be turned over to them for day-to-day operation. The group will run programs, schedule use, supervise and sometimes maintain the facility: tennis clubs operate tennis courts; residents operate neighbourhood natural ice rinks; garden clubs maintain parks and median strips.

Advantages

- Reduction in supervisory and, in some cases, maintenance costs.
- Develops club organizational abilities.
- Hours and programs are more responsive to use requirements.

Disadvantages

- Loss of central control and standardization.
- Variations in the group's performance from week to week and year to year.
- Facilities are seen to be taken over by the club and casual users excluded.
- On-going involvement with the club and periodic performance reviews are needed.
- Termination of agreement may be difficult if it should ever become necessary.

16.1 The City of Brampton has agreements with individual citizens covering the maintenance of cul-de-sacs and medians at 148 locations.

16.2 In the City of **Sault Ste. Marie** an arena was built and is operated by a non-profit group. The City provides an annual grant towards operating expenses.

16.3 The City of **Burlington** developed a multi-purpose indoor sports hall jointly with two soccer and rugby clubs. In return for providing 25% of the capital costs, each club has a room for its sole use and shares the use of the multi-purpose sports hall with the community, all under the control of the City.

16.4 The Ontario **Ministry of Natural Resources** has cut their winter trails funding in order to develop a self-help program for concerned trails groups financed through fees paid by trail users to the clubs.

17 COORDINATE VOLUNTEERS

Strategy - volunteers have been the mainstay of many recreation programs in the past. Innovative involvement of volunteers in decision-making can revitalize dwindling interest. Open up possibilities for volunteers to assist or run programs, provide supervision, maintain parks and other facilities. Ask who would care if we no longer provided a certain service; your solution may be to get these individuals or groups involved.

Advantages

- Additional capabilities to provide services without additional staff costs.
- Involvement of the community will increase their support and commitment to recreation services.
- Access to special skills not available on the open market for any price.
- Increased responsiveness and flexibility to meet changing interests.

Disadvantages

- Selection, motivation and evaluation of volunteers requires special skills.
- Shared decision-making is required.
- Reliability and quality may be more difficult to control.
- Opposition from professional associations; may not be permitted by collective agreements.

17.1 Since 1946, twenty-three neighborhood associations in the City of **Oshawa** have managed all house leagues and many maintain community clubhouses under the Central Council of Neighborhood Associations.

17.2 In the City of **Waterloo**, volunteers develop parks and playgrounds. Resident groups have raised money and completed construction with support from the City.

17.3 In the City of **Windsor** a variety of community groups have built facilities such as horseshoe pitches and baseball backstops. They have also performed maintenance tasks such as painting a community centre.

17.4 The Ontario **Ministry of Natural Resources** makes use of correctional system inmates to perform a variety of park development tasks. The motivation of the inmates when working under difficult conditions has been high.

18 CONTRACT FOR SERVICES

Strategy - the private sector can manage facilities, run programs or provide various services on the basis of a contractual agreement. Possible areas include: cleaning; grounds maintenance; specialized equipment servicing; food and beverage concessions; equipment and clothing sales outlets; operation of entire facilities or programs.

Advantages

- Competitive tendering means lower costs are possible.
- Unsatisfactory performance can be ended by not renewing the contract.
- Risks are reduced or shared with the contractor.
- Benefit from the skills and abilities of the contractor.
- Increased flexibility to add or drop services.

Disadvantages

- Negotiation and supervision of the contract is needed.
- Contractor's staff have no long-term commitment to departmental objectives.
- Present staff may object.
- Unfavourable contracts, particularly in the area of concessions may mean loss of revenues.
- Price-cutting by inexperienced firms may force-out reputable firms.
- Skilled workers may not be available.
- In order to meet unforeseen costs, contractors may try to reduce services.

18.1 The Town of **Cobourg** Parks and Recreation Committee has a management services agreement with the Y.M.C.A. to run both an outdoor pool and a complex with an indoor pool, squash courts and gymnasium. A similar agreement with the Lions Club covers operation of a large community hall.

18.2 The Town of **Wasaga Beach** contracts for all cleaning of their municipal buildings, specifying, for example, the number of dance clean-ups that will be required. Costs and performance have been excellent.

19 BUILD INTERAGENCY COOPERATION

Strategy - two or more agencies who share similar clients or similar programs, can share use and responsibility for needed facilities and programs. Cooperation in behind-the-scenes areas can also lead to savings. Consider:

- Joint development of new facilities and programs.
- Joint purchasing arrangements for materials and supplies.
- Sharing a specialist that each agency by itself could not afford.
- Sharing equipment so that increased use justifies more effective but more expensive purchases.
- Joint planning studies.

Advantages

- Can reduce expensive duplication of facilities, equipment and staff specialists.
- Savings can be produced without reduction in service, loss of control or loss of identity.

Disadvantages

- Skill and patience are needed to develop the basis for cooperation and to negotiate and administer joint agreements.
- Difficulties may be encountered by staff who have to be responsive to two or more agencies.

19.1 The Borough of **East York** Recreation Department and the library board jointly publish a catalogue of community programs including board of education classes, community college courses and other agency programs.

19.2 The Village of **Fenelon Falls** has an agreement with the Townships of **Fenelon, Bexley**, and **Verulam** on sharing of costs for operation of its arena based on the number of users from each municipality.

19.3 In the City of **Windsor** a 63,000 square foot indoor field house was financed and is now managed for community-use by a committee with representatives from the University of Windsor, City of Windsor and Essex County.

DECREASING EXPENDITURES

20 SUPPORT THE NON-MUNICIPAL SECTOR

Strategy - encourage others to develop needed programs and facilities. Use direct and indirect subsidies or other appropriate arrangements such as: leasing of municipally-owned land or buildings; guaranteed levels of usage; agreements not to offer similar services or to undercut private fees; leaseback of privately-built facilities.

Advantages

- No capital costs.
- No long-term financial burden on the municipality.
- Increased flexibility and shorter response time.
- Market place control over services.

Disadvantages

- Expertise needed to identify opportunities and develop suitable arrangements with the private sector.
- Limited control over quality of service or facility.
- Exclusion of those unable to pay.
- The visibility of municipal services may be reduced.
- Legal and political problems may reduce ability to enter into agreements with private sector.

20.1 The Borough of **East York** has negotiated an agreement to operate the recreation centre of a high-rise condominium for a fee.

20.2 Responding to demands for winter tennis, the Town of **Newmarket** developed a 10 year agreement with a private operator who provides winter tennis in an air-supported structure over 3 municipal outdoor courts in return for an annual fee to the municipality.

20.3 During the skateboard boom, the Town of **Markham** faced strong demands for a skateboard park. They were able to lease for $1.00 an old fairgrounds building scheduled for demolition in 2-3 years. They then sub-leased to a private operator who built the skateboard facility. The boom burst and the facility closed in 3 months, but at no cost to the Town.

21 FINE TUNE SERVICE LEVELS

Strategy - close, mothball or renovate facilities; terminate or change programs. Under-utilized buildings and those that are rapidly approaching the end of their useful life are likely candidates for consideration. Programs of high cost, low registration or ones duplicated elsewhere in the community are also targets. Consider: reducing evening, weekend or any non-peak hours; opening later in the morning and close at meal-times or other times of low usage; requiring users to set-up and clean-up.

Advantages

- Reduced demands on staff time.
- Reduced building operating costs in some cases.
- Visible signs of departmental efficiency.

Disadvantages

- Facilities are idle and may suffer damage.
- Some users may not be able to substitute other activities.
- Negative reactions from users.
- Community loses the benefits of the discontinued programs and closed facilities.
- Service reductions may bring so many complaints that department is forced to provide more service than they did before the change.

21.1 The City of **Windsor** used the following priorities when considering cuts to parks service levels: 1. health and safety, 2. formal landscaping, 3. programmed recreational areas, 4. non-programmed areas such as picnic sites and playgrounds, 5. passive areas.

21.2 The Borough of **Etobicoke** has shortened the length of the season for both its outdoor pools and outdoor ice rinks.

21.3 The Borough of **Etobicoke** cuts less grass. Areas in ravines and valleys are left to return to natural succession. The frequency of grass cutting has been reduced in areas still cut.

21.4 The City of **Burlington** has placed an outdoor pool in "mothballs" until changes in the immediate neighbourhood warrant re-opening.

21.5 The Borough of **East York** froze subsidies to community groups for several years and successfully reduced the level of dependence without harm to the groups.

DECREASING EXPENDITURES

22 PLAN AHEAD

Strategy - when considering new programs or facilities, examine changing needs and investigate alternative ways of responding. Look at all the costs of each alternative, both now and in the future. In long range capital improvement give priority to reducing operating costs. Study operating impacts of new facilities and programs.

Advantages

- Long range financial planning increases the credibility and effectiveness of the department.
- Operation and maintenance headaches are anticipated and avoided.
- Responsive programs are also financially sound.

Disadvantages

- Planning requires time, special skills and funds.
- Anticipation of future conditions is difficult.
- Pay-off from long-range planning is not immediate.

22.1 The Village and Township of **Petawawa** have a joint recreation board and have just completed a joint recreation master plan.

22.2 The Borough of East **York** has included representatives of both public and separate school boards and the library board on the study team that is directing their cultural and recreational master plan.

22.3 The Town of **Dresden's** master plan showed that 66% of arena users were non-residents. The town now has firm commitments from surrounding townships to share operating costs of a new arena.

23 GET THE LAW ON YOUR SIDE

Strategy - use local government's power to institute by-laws and policies in order to help reduce costs of providing recreation services. Shift the burden of providing services or decrease the demand for services. For example: by-laws can be used to close parks after sunset or set curfews in order to reduce vandalism; by-laws prohibiting motorized vehicles in parks and open space can start to reduce their damage and nuisance.

Advantages

- No direct costs.
- Reduces need for maintenance and other services.

23.1 The Borough of East York considers on-site ticketing for trespassing an effective way to reduce unauthorized use of outdoor pools at night.

Disadvantages

- Time-consuming and sometimes difficult process needed to establish by-laws and policies.
- Adjustments may be difficult once by-law or policy is in place.
- Costs of informing public and enforcing provisions may outweigh savings.

24 CONSIDER PROGRAMS WITH "LOW OVERHEADS"

Strategy - if all other things are equal, develop new programs that minimize additional capital expenditures or on-going operating costs. For example, consider the possibilities of cross-country skiing rather than new ice skating programs requiring new artificial indoor ice arenas.

Advantages

- Reduced capital development pressures.
- Reduced operating budgets.
- Greater flexibility to meet changing interests.
- Shorter start-up times for new programs.

Disadvantages

- Opportunities for certain activities are restricted.
- Visible identity of the department based on buildings may diminish.
- Financial criteria may dominate decision to develop additional services.

24.1 Many municipalities, especially in southern Ontario, have reduced or eliminated outdoor natural ice rinks. These labour intensive facilities did not produce enough skating days to justify the costs involved except where neighbourhood groups can take over maintenance.

25 EXPLORE ADMINISTRATIVE ECONOMIES

Strategy - changes in routine administrative procedures can produce worthwhile savings. Substitute phone or radio communication for personal travel where possible. Reduce phone bills by having agencies with regional or provincial tie lines return phone calls. Review office practices to eliminate non-essential record keeping.

Have membership cards picked up rather than mailed. Review application of computers for program registration, facility booking and maintenance scheduling. Make sure that temporarily surplus funds are put into short term investments.

Advantages

- Staff involvement.
- Builds credibility with taxpayers.
- More prompt and accurate service.

Disadvantages

- Staff retraining may be required.
- Capital investments may be needed.
- New skills may be required.

25.1 The Town of **Markham** uses a computerized system to handle 15 - 20,000 program registrations over its three registration periods per year. Reduced staff time and better quality outputs have been the benefits.

25.2 The City of **Windsor** has reduced absenteeism by having mandatory public health nurse visitations on the day of absence. The City also maintains contact with employees receiving Workmen's Compensation benefits.

STRATEGY SELECTION

PART 3.

Strategies used to reduce cost pressures may be reviewed, questioned, altered or rejected by your recreation committee, municipal council or citizens-at-large. Some strategies require changes to their habits and customs that will be achieved with difficulty. Putting the best strategies into action and successfully defending your choices will require preparation. This section shows how to select a strategy and put it to work.

Getting Ready

STEP 1. REVIEW YOUR SITUATION.

1.1 Clarify recreational goals and objectives. Some solutions to financial pressures may conflict with the basic objectives of recreation services as understood by your community.

When evaluating available strategies, do so with a widely-supported understanding of the role of recreation services. Otherwise, emotional arguments against a change will be hard to resolve and your decisions may later have to be reversed.

1.2 Project future conditions. What changes in your community are likely to affect recreation services. Strategies need to be matched with expected changes in local conditions.

1.3 Analyze data on existing conditions. Prepare to control costs by finding out what the present situation is. Are all programs using the same definition when calculating the costs of providing a service?

Examine changes in revenue and expenditures. Over the last 5 years, are any trends evident overall or in individual budget items?

Examine existing patterns of use. Who are your clients? When do they participate? What facilities and programs do they use? Are any trends evident? Do you need better information before making a decision?

Assign costs for each service provided. You may want to match expenditures and revenues with each activity or area of responsibility.

Planning for Action

STEP 2. IDENTIFY THE PROBLEM AND ASSESS THE NEED TO ACT.

2.1 What is your problem? Several critical areas of cost pressure may be present in your operation. Spend time to clarify the problems that need to be solved.

Get at the underlying cause. What everyone accepts as the cause of the problem may not be the source of the problem. For example, proper water chemistry and maintenance may improve a boiler's performance enough to eliminate the need to replace an "inefficient" unit.

State the problem and see if others involved agree. Define the problem without suggesting a solution and check the reaction of others who should know.

2.2 Will it solve itself? Are there mechanisms already in place that can be used to solve the problem? If so, put them to work and move on.

2.3 Who is responsible for solving it? Is the problem your responsibility? It will be complicated to try and solve a problem that someone else has responsibility for. Point out who should be taking action and retire from the scene.

2.4 What are the consequences of making a mistake? Implementing cost-cutting strategies may seem like great fun until one backfires. Several communities have found to their surprise that community reaction to even nominal fees for certain previously free services was extremely negative. Develop solutions knowing full well the consequences of a mistake. This will help you to match the scope of your preparatory work with the expected reaction.

2.5 Decide to act. Pick those that have the biggest impact on your revenues and expenditures and require the least effort and risk. Pick the easy ones first in order to gain the momentum needed to tackle the more difficult ones that promise really significant results.

STRATEGY SELECTION

STEP 3. SELECT A STRATEGY.

3.1 What are the alternatives? Now that a problem has been singled out for attention, list possible strategies for making a change. The first part of this manual has suggested a number of possible approaches. Consult with your colleagues to identify other techniques that may be effective.

3.2 Which strategy will be most effective? Evaluate each strategy to determine:

a. The cost to put it into action.
b. Policy changes needed.
c. Other difficulties to overcome before it can be used.
d. Expected financial benefits.
e. Other positive benefits.
f. Risks involved.

The selection of a strategy can be done individually or by a group. Discussions with those directly involved will help to identify the merits of alternative strategies.

3.3 Decide on a strategy. If care has been taken to define the problem and evaluate alternative strategies a large part of the job is over. You know that the problem to be tackled is a real opportunity. Your strategy is the best available and risks are known.

Taking Action

STEP 4. CREATE SUPPORT INTERNALLY AND EXTERNALLY.

Up to this point you have already created a positive atmosphere for change.

4.1 Prepare policy makers and obtain approvals. Determine whose approval is necessary. Prepare the ground. Be honest about expected negative impacts. Be able to show how negative impacts will be eliminated in the long run. Stress the concrete benefits.

4.2 Build staff understanding. Frontline staff will have to explain a change, over and over again, to puzzled, confused and sometimes hostile citizens. Each time their success will be critical to the overall effectiveness of the strategy.

4.3 Support your customers. Inform users of changes that may directly affect them. Maintain contact over the transition period. Take immediate action to moderate specific difficulties that pop up. Allow plenty of lead-time if the change requires organizations to adapt their own policies, procedures and budgets. Show them how they benefit.

STEP 5. IMPLEMENT THE STRATEGY AND MEASURE ITS IMPACT.

5.1 Who will be responsible for implementation? Their duties will be to plan the implementation process and to follow up with immediate analysis of the reaction to and financial impacts of the strategy.

5.2 What resources will they need? Additional policies and procedures may need to be developed. Allocate the additional staff resources that may be necessary.

5.3 Did your strategy make a difference? Deal with the immediate impacts of the strategy first. But make sure that six and twelve months later a more careful look is given to the effects. Determine if the expected financial benefit occurred. Any other benefits?

5.4 Were there any unexpected results? Unhoped-for positive benefits may be discovered. But, also check for unexpected difficulties. Has a user group disappeared? Is mechanical equipment suddenly failing? Has the interest in certain activities drastically declined? Are additional costs being hidden or shifted from one budget to another? Have costs in fact increased?

5.5 Are any adjustments needed? Once the negative and positive benefits are known it is time for some fine tuning. What adjustments can be made to increase benefits or reduce any negative effects? Can the difficulties of some individuals or groups be reduced? How are you going to take into account changing user interests, changing fuel prices, for example?

CASE STUDY

PART 4.

User Charges in the City of Burlington

The following case study shows how the City of Burlington is dealing with the "fees and charges" issue. Although actual policy development remains to be done, the process they are using illustrates a comprehensive approach to dealing with a difficult municipal problem.

The City of Burlington (pop. 112,722) is examining user fees on a municipality-wide basis. Their view is that user charges are an issue for all municipal services, not just recreation. Although the Recreation Services Department generated 45% of the user-fee revenue ($1.9 million), other departments collected $2.5 million to make up the total of $4.3 million collected in 1981.

Background

Burlington's first step towards developing a corporate user charge policy was to inventory existing charges and to determine how these charges had been set. The findings of their study showed:

1. Various methods for calculating costs.
2. Inconsistent definitions of cost recovery.
3. Variations in subsidy rates to the same group or for similar services.
4. Irregular and unsystematic reviews and changes to existing charges.
5. Several services that might be considered for new charges.
6. Competitive pricing where no competition existed.

They concluded that the City's service charges had been developed by "disjointed incrementalism". The charges responded to day-to-day administrative pressures. They were used as an appealing substitute for raising taxes. There was no satisfactory municipal policy basis for existing charges.

Issues

- Burlington found that their 141 charges were set in a variety of ways. Over 60% were based on full or partial cost recovery. Fees based on market charges - what other private or public agencies charged for the service - accounted for 18%. The remaining were based on profit-making, statutory requirements, specific agreements or simply arbitrarily set.

- Existing charges for similar services varied significantly. For example, ice rental rates were based on full cost recovery, but fees for public skating and pool rentals bore little relationship to the cost of providing these services.

- There were wide differences in calculating what made up the cost of providing a service. In the case of arena ice rentals, direct and indirect as well as capital and management costs were included. On the other hand, only direct costs were considered for recreation programs, not facility or administrative costs. Because there was no common definition of costs, you could not compare different services according to their amount of cost recovery.

- No policy existed for determining which services should operate on a cost recovery basis and which ones should be subsidized. For example there was no answer to the question why persons on welfare were subsidized for recreation programs but not for public transit.

- Fees were not adjusted on a systematic basis to reflect new conditions. Some were renewed on an annual basis, others had not been changed for years.

User Charge Task Force

In response to these issues, Council established a 9-member User Charge Task Force made up of representatives from all public service departments. This task force was asked to develop a user charge policy regarding:

a. Division of municipal services into those benefitting the community as a whole and those benefitting individual users.
b. Revenue/cost ratio targets for selected services.
c. Pricing policies for similar programs within and across departments.
d. Systematic method for implementation and review of user charges.
e. Subsidy policy for certain groups.
f. Standard methods for determining costs.

CASE STUDY

The task force hopes to make its report early in 1983. Although its work is not yet complete, a number of issues are being looked at:

- Each department had to explain its services to all the others. Everyone had to understand how the services of public works were different from recreation services, for example.

- A common definition of cost had to be developed. Four elements making up the cost of providing a municipal service were used:

    1. Direct costs.
    2. Indirect costs - administrative costs.
    3. Support services - personnel, legal, etc.
    4. Capital costs.

- They are considering the principle that the greater amount of community benefit from a municipal service the more tax-based support for that service. On the other hand, the greater individual benefit, the more the user would be expected to pay for the service. This approach has led to an intra-departmental examination of all programs and other activities to identify the level of community and user benefits for each.

Summary

Burlington identified user charges as an issue affecting all municipal services not just recreation. A review of existing fees showed many contradictions and inequities because there was no relevant municipal policy.

The task force, set up to develop a corporate user charge policy, has identified the need for a better understanding of the differences between various municipal services; a common definition of costs and a method for distinguishing community and individual benefits from municipal services.

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